

SENATE BILL REPORT

SHB 2454

As Reported by Senate Committee On:
Agriculture, Water & Rural Economic Development, February 25, 2014

Title: An act relating to developing a water quality trading program in Washington.

Brief Description: Developing a water quality trading program in Washington.

Sponsors: House Committee on Agriculture & Natural Resources (originally sponsored by Representatives Blake, Buys, Lytton and Smith).

Brief History: Passed House: 2/17/14, 93-5.

Committee Activity: Agriculture, Water & Rural Economic Development: 2/25/14 [DP].

SENATE COMMITTEE ON AGRICULTURE, WATER & RURAL ECONOMIC DEVELOPMENT

Majority Report: Do pass.

Signed by Senators Hatfield, Chair; Honeyford, Ranking Member; Brown, Eide, Hobbs and Schoesler.

Staff: Diane Smith (786-7410)

Background: A conservation market is a program that facilitates payments to landowners for environmental improvements. The theory behind conservation markets is that regulatory requirements can be met by paying landowners for conservation projects. Conservation markets are also known as ecosystem service markets, conservation and mitigation banks, and water quality trading programs.

In 2008 the State Conservation Commission (Commission) was directed by the Legislature to conduct a study on the feasibility and desirability of establishing farm and forestry-based conservation markets in Washington. To carry out this study, the Commission was given the authority to enter into a contract with an entity that has knowledge and experience in agriculture and of conservation markets. The study required the Commission to:

- evaluate agricultural conservation markets operating in other states;
- collaborate with farm and small forest landowners' organizations and agricultural special purpose districts to determine interest in and assess market-ready products;
- identify opportunities for conservation markets that could provide ongoing revenue to farm and small forestry operations to improve their long-term viability; and

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

- work with public agencies to determine potential demand and their willingness to use these products.

The Commission was to present its findings and recommendations by December 1, 2008. If the study determined that conservation markets were feasible and desirable, the Commission was to conduct two demonstration projects. In its official report, the Commission found that pilot projects were warranted and that the Commission, together with the Department of Natural Resources, should lead efforts to identify and pursue projects in farm and forest communities. The Commission recommended that particular attention should be focused on pilots that could demonstrate the potential of greenhouse gas and water quality markets. The pilot projects were not completed due to budget concerns.

Summary of Bill: The Commission, in partnership with the Department of Ecology (Department), is directed to build upon the conservation market report it delivered to the Legislature in 2009 and further explore whether there are a sufficient number of potential buyers and sellers for a water quality trading program to be successful in watersheds where total maximum daily loads have been established. The assessment must be conducted in coordination with other interested entities.

The final report must be delivered to the Legislature by October 31, 2017. Prior to issuing the report, the Commission must ensure that the Department concurs with its determinations.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: This concept is used in many other states where there is a clear need to reduce point source pollutants. It provides the option of addressing the pollutant upstream where it may be cheaper to achieve the necessary changes to result in complying with National Pollutant Discharge Elimination Permits. It would also allow credit to be given where credit is due. This would be a new tool to use to achieve goals that have never been met since the early 2000's despite the over 50,000 clean-up plans completed. The bill as written does encompass urban settings. The Department has been working with Idaho and Oregon, the problem is that there are currently few purchasers of credits. This bill has the potential to move forward with temperature and nutrient trading and generate a revenue stream for funding the voluntary stewardship program. We need a baseline for agricultural opportunities so that we can determine if there is the delta required to encourage willing participants where it makes sense for certain point sources.

Persons Testifying: PRO: Representative Blake, prime sponsor; Donald Seeberger, Dept. of Ecology; Ron Shultz, WA State Conservation Commission; Dan Wrye, Pierce County, Surface Water Management, Water Quality Manager; Jim Jesernig, Pacific Coast Shellfish Growers Assn., WA Assn. of Wheath Growers, WA State Potato Commission, WA Assn. of

Conservation Districts; Bruce Wishart, Puget Soundkeeper; Dan Wood, Dairy Federation, Dairy Farmers of WA; Evan Sheffels, WA Farm Bureau.